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C O N F I D E N T I A L SECTION 01 OF 03 MEXICO 002574

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SUBJECT: WINNING OR ONE STEP BEHIND: GOM'S INTERDICTION  
POLICY FOR METH-LABS

Classified By: Political Minister Counselor Gustavo Delgado for reasons  
1.4 (b) and (d)

¶1. (SBU) Summary. While Mexican law enforcement officials have increased raids on the destruction of drug labs in recent months, the effort does not appear to be staunching the flow of drugs into the U.S. Instead, the raids have prompted producers to develop more creative manufacturing techniques, to rely on alternative precursors, and to build smaller, less capital intensive labs. End Summary.

¶2. (SBU) On 10 August, the Mexican daily La Reforma displayed a 23-page pictorial on the Mexican Army's latest discovery of a mega meth-lab in a remote part of Mexico. The army contended that this meth-lab was not only the production facility of vast quantities for various narcotics including methaphetamines, but it was also the suspected hide-out of Sinaloa Cartel leaders Joaquin "El Chapo" Guzman and Ismael "El Mayo" Zambada. When the Mexican Army raided the remote compound capable of housing approximately 100 workers, they found the compound deserted. Although the army confiscated or destroyed a substantial amount of drugs and rendered a significant drug making inoperable, the true impact of this dismantling campaign is difficult to quantify. As of 20 August, the Mexican Attorney General (PGR) reported that 108 meth labs had been destroyed in 2009. However, as meth prices have remained relatively unchanged over this time period, it is not clear the GOM's disruption efforts dramatically changed either the availability meth or the bottom line for traffickers.

Interdiction and Dismantling: An Impressive Performance  
Metric

¶3. (SBU) Throughout 2008 and into 2009, Mexico's President Felipe Calderon continued unprecedented efforts to stop the flow of methamphetamine precursor chemicals. The restructuring and more aggressive deployment of security forces, enhanced cooperation with U.S. law enforcement agencies, and strong engagement of the Mexican military in the fight to dismantle methamphetamine labs proved to be successful in finding and destroying meth labs. These efforts led to increased pseudoephedrine seizures and increased seizures of methamphetamine laboratories.

¶4. (SBU) As part of the GOM's continuing effort against drug traffickers, the Mexican military targeted and dismantled more of methamphetamine labs across the country. The PGR/Center for Statistics and Analysis, CENAPI, indicates

that takedowns of clandestine methamphetamine laboratories in Mexico continues to rise. GOM reports that 108 clandestine methamphetamine laboratories were discovered and seized between January and August 2009, compared to 44 in all of 2008. The Mexican military is responsible for the majority of the labs seizures this year. On June 18, 2009, the Mexican military seized one of the largest methamphetamine laboratories ever found in the country, with enough reported ephedrine to produce more than 40 tons of methamphetamine or about 309 million individual doses. Vice Admiral Jorge Humberto Maldonado was quoted saying, "This is one of the heaviest blows to the drug traffickers in this administration ... as far as synthetic drugs are concerned." Maldonado estimated that the precursors were enough to produce methamphetamine worth \$1.4 billion in street value.

15. (C) The GOM has enhanced its ability to target the methamphetamine trade at all levels, from diversion to manufacturing to transporting, as evidenced by their large seizures of pseudoephedrine and the dismantling of several "super labs". The continued dismantling of "super labs" is leading to the creation of small toxic labs (STL) across Mexico. There are already signs of STLs emerging in areas where "super labs" have been dismantled or are not present. These smaller labs do not require a significant investment by organized crime and are quick and easy to assemble. The rapid development of these types of labs facilitates the continued flow of methamphetamines into the U.S. and fuels the growing meth addiction problem in Mexico. The Mexican drug trafficking organizations (DTOs) are in the process of adapting to the GOM's crack down. Analysis of U.S.

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price/purity data shows that methamphetamine prices remain stable or lower.

16. (SBU) Meth labs throughout Mexico fall into three distinct categories with each providing product to its niche market. The internet provides "wannabe" producers with enough know-how to produce small quantities of meth for personal use and small scale local sales. The medium size SLTs are easy to assemble and move, and provide a steady supply of meth to Mexican and U.S. markets. Medium size SLTs require little investment and can be located anywhere. These labs are growing at a significant rate as military and police interdiction of "super-labs" increases. "Super-labs" are the most efficient at making a more pure product, but are difficult to assemble and require a substantial investment in assembly, security, and chemist expertise. All of these labs have a significant environmental negative impact. Every one pound of methamphetamine produces five pounds of environmentally damaging waste as a byproduct.

#### Regulation Complements Interdiction

17. (SBU) As the GOM establishes a more aggressive approach to combating the diversion of precursor chemicals, traffickers are circumventing traditional points of entry by importing the chemicals from nearby Central American countries. On June 23, 2009, Guatemalan authorities seized approximately 10 million pseudoephedrine pills, worth \$33 million, destined for Mexico. This is Guatemala's biggest pseudoephedrine seizure to date.

18. (SBU) The GOM's actions against methamphetamine production in Mexico have had positive results. Regulatory laws, military operations, and law enforcement investigations have made it difficult for methamphetamine manufacturers to obtain the traditional ingredients and to produce the drug. For example, in 2008, the Government of Mexico (GOM) discontinued the legal importation of all pseudoephedrine. To circumvent these restrictions, traffickers began smuggling the chemicals directly into Mexico, through airports and seaports, where airport employees and corrupt customs officials facilitate the importation. GOM's efforts, on the

part of the GOM, impacted methamphetamine and precursor prices in Mexico.

-- The price for a kilogram of methamphetamine has increased from approximately \$8,800 USD in 2006 to \$35,000 USD in 2009. The price of methamphetamine in Mexico has increased 875% since President Calderon's inception into office.

-- The price for 25 kilograms of pseudoephedrine has increased from approximately \$125,000 USD in 2006 to \$250,000 USD in 2009. Some investigative reports have listed pseudoephedrine as high as \$400,000 USD during 2009. The increase in pseudoephedrine prices coincides with the 2005 launch of Mexico's restrictive pseudoephedrine import laws.

#### Completing the Story

¶9. (SBU) The ban on importing pseudophedrine and ephedrine resulted in the quick adaptation of the DTOs. New unregulated precursors such as phenylacetic acid (PAA) and ephedra are quickly becoming the foundation for methamphetamine production. Additionally, cartels are using legal additives such as tartaric acid to increase the purity of their methamphetamine production. There is, therefore, no degradation in purity using these alternate precursor formulas. Another obstacle to winning the war on meth production is that DTO's independently develop new formulas for precursors. Sources indicate that La Familia imports phenylactic acid, which is yet another precursor used for methamphetamine production. On 12 May 2009, 8 tons of PAA was seized at a lab in Ziracuaretiro, Michoacan. These alternative precursors and alternative manufacturing techniques result in purity level remaining high and prices of methamphetamines remaining at 2005 levels.

#### Fleeting Success

¶10. (SBU) Beginning in the first quarter of 2007 and

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continuing through the end of that year, the price per pure gram of meth rose while purity declined. Starting in the first quarter of 2008, however, the trend reversed, suggesting the traffickers adapted quickly despite increased interdiction and preliminary regulation efforts by the GOM. Currently, price per pure gram and purity are approaching levels last documented in 2005, which was prior to U.S. or Mexican legislation restricting methamphetamine precursors.

¶11. (SBU) Comment: The GOM meth-lab dismantling initiative is a classic example of how quickly the drug producers are able to respond to law enforcement pressure and a reminder of the constant need to look beyond the headlines. The measure of performance of dismantling actual super-labs is very impressive, tripling over a two year period. The measure of effectiveness, however, is not as impressive. The flow of methamphetamines continues at a steady rate into the U.S., and prices remain relatively unchanged since 2005. These results indicate that dismantling is only part of the solution. A holistic and flexible approach on both sides of the border needs to be developed in order to turn the tide.

¶12. (SBU) The most important next step for Mexico will be introducing legislation that regulates alternative precursor chemicals and establishes similar tough penalties as for the traditional precursor chemical of meth. Simultaneously, shutting down trafficking routes, preventing the flow of the any chemical used to manufacture meth or intended to manufacture meth into Mexico, shutting down money streams, and education and prevention programs for meth users needs to complement the dismantling campaign to have any tangible impact on a growing problem. Not lost on the Mexican public is the fact that voracious U.S. consumption of this most toxic drug remains at the heart of this particularly damaging

trade. End Comment.

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